

**MINUTES
of the
SIXTH MEETING
of the
MORTGAGE FINANCE AUTHORITY ACT
OVERSIGHT COMMITTEE**

**November 14, 2013
Mortgage Finance Authority Office
344 Fourth St. SW
Albuquerque, New Mexico**

The sixth meeting of the Mortgage Finance Authority (MFA) Act Oversight Committee of the 2013 interim was called to order by Senator Nancy Rodriguez, vice chair, at 10:07 a.m. on November 14, 2013 at the office of the MFA in Albuquerque, New Mexico.

Present

Sen. Nancy Rodriguez, Vice Chair
Rep. Thomas A. Anderson
Sen. Lee S. Cotter
Rep. Roberto "Bobby" J. Gonzales
Sen. Cisco McSorley

Absent

Rep. Ernest H. Chavez, Chair
Rep. Alonzo Baldonado
Sen. Stuart Ingle

Advisory Members

Rep. Nathan "Nate" Cote
Rep. Sandra D. Jeff
Rep. James Roger Madalena
Sen. Gerald Ortiz y Pino
Sen. Michael Padilla
Sen. Sander Rue

Rep. George Dodge, Jr.
Sen. Richard C. Martinez
Sen. Bill B. O'Neill

Staff

Claudia Armijo, Staff Attorney, Legislative Council Service (LCS)
Sharon Ball, Senior Researcher, LCS

Guests

The guest list is in the meeting file.

Handouts

Copies of all handouts and written testimony are in the meeting file.

Friday, November 14

Call to Order

Senator Rodriguez welcomed members of the committee, staff and guests to the meeting.

Approval of October 15, 2013 Meeting Minutes

On a motion by Representative Gonzales, seconded by Senator Cotter, the minutes of the October 15 meeting, as included in members' committee folders, were approved without objection.

Review of MFA 2013-2014 Strategic Plan

In the absence of Jay Czar, executive director, MFA, the chair recognized Joseph Montoya, deputy director of programs, MFA; Gina Hickman, deputy director of finance and administration, MFA; and Monica Abeita, senior policy and program advisor, MFA, to provide an update to the committee on current activities of the MFA.

Mr. Montoya advised members that the meeting was being webcast and reminded them to keep sidebar conversations to a minimum to avoid noise interference with the webcast.

Mr. Montoya directed the members' attention to information behind Tab 1 in their committee notebooks and explained that he, Ms. Hickman and Ms. Abeita would discuss the current draft of the MFA strategic plan matrix. Mr. Montoya complimented the entire MFA for the high quality of their work over the past year and singled out Leann Kemp, communications manager, MFA, for her marketing efforts on behalf of the agency.

Other goals of the three-year strategic plan that Mr. Montoya and Ms. Hickman discussed included the following goals that the agency has met during fiscal year (FY) 2013 (details included in committee handbook in meeting file):

- development of stronger communities;
- strengthening and increasing homeownership;
- increasing rental and group shelter opportunities;
- improving agency functions, thereby attracting and retaining qualified, talented staff; and
- improving financial stewardship.

Ms. Hickman explained that the agency had failed to meet the goal of ensuring employee satisfaction and staff development because of delays in the hiring of a new human resources director. In response to committee comments and questions, Ms. Hickman explained that in addition to the turnover in human resources directors, time constraints caused by work on other priorities hampered the agency's attempt to meet this goal. She indicated that MFA staff intend to place this goal high on the list of FY 2014 priorities.

Mr. Montoya explained that the agency also failed to achieve another goal in FY 2013 — managing and distributing grant funds to ensure that no more than one percent of the beginning-of-the-year balance of grant funding is lost each fiscal year. He explained that the agency lost nearly \$500,000 in grant funds because of failure to expend or commit funding within the contract term.

Mr. Montoya, Ms. Hickman and Ms. Abeita went over updated strategic plan goals and objectives for FY 2014, including the following.

- Goal 1. Create, facilitate, promote and support planning and development of sustainable, affordable housing strategies, programs and delivery systems that foster healthy living environments and livable communities.
- Goal 2. Provide financial and educational resources to create and preserve affordable homeownership opportunities, with an emphasis on quality customer service, support for underserved markets and sustainable homeownership.
- Goal 3. Provide and preserve quality affordable rental opportunities, including shelter for people experiencing homelessness. Educate, design programs and provide oversight to ensure availability, quality maintenance, operations and preservation.
- Goal 4. Provide support in agency employment, technology, facilities management and operations.
- Goal 5. Provide sustainable financial support for programs and administration.

After an extended discussion, committee members requested additional information on the following items:

1. audits and audit findings conducted on the agency itself, as well as on MFA programs;
2. the number of homes foreclosed in New Mexico;
3. declines in property taxes to state and local governments as a result of foreclosed homes; and
4. data on the costs to install solar energy systems in homes and apartments.

Responses to committee questions may be found in the meeting file.

Review of MFA FY 2014 Budget

Ms. Hickman directed members' attention to the last item behind Tab 1 in their notebooks. She discussed the MFA's proposed general fund budget for FY 2014. She explained that revenue is projected at approximately \$11.6 million, which represents an increase of approximately \$1.1 million, or 12 percent, over the prior year actual figures and nine percent over the prior year budgeted figures. During the committee discussion, she provided the following analysis of significant increases and decreases in the proposed budget compared to projected actual and prior year budgeted figures.

REVENUES: An increase over the prior year actual figure of \$13,703, or zero percent; a decrease under the prior year budgeted figure of \$109,679, or minus one percent. She explained that the decrease under the prior year budget is related to the loss of federal American Recovery and Reinvestment Act of 2009 (ARRA) funds, regional housing authority (RHA) funds and other program-related administrative fees and a decline in interest on investments. She said that the decrease under the prior year actual figure also reflects the elimination of the miscellaneous income received in a class action lawsuit settlement against providers in FY 2013 offset by an increase in interest on loans.

OPERATING EXPENSES: An increase over the prior year actual figure of \$937,041, or 13 percent; an increase over the prior year budgeted figure of \$457,448, or six percent. She explained that next year's regular merit increases are budgeted at three percent for FY 2014. She also discussed increases and decreases in staffing, including the addition of six staff positions related to the servicing expansion, four of which will be hired mid-year and offset by the change of a full-time accounting specialist to a part-time administrative assistant, as well as vacancy savings during the fiscal year.

NONOPERATING EXPENSES: A decrease under the prior year actual figure of \$431,744, or -59 percent; a decrease under the prior year budgeted figure of \$439,750, or -59 percent. She explained that once again, the decrease is because of the loss of ARRA programs and a decrease in EnergySmart training and technical assistance and RHA oversight.

CAPITAL OUTLAY: An increase over the prior year actual figure of \$152,811, or 244 percent; an increase over the prior year budgeted figure of \$155,094. Ms. Hickman explained that the increase over prior year actual and budgeted figures is for new servicing software.

OTHER FINANCING SOURCES AND USES: An increase over the prior year actual figure of \$524,690, or 211 percent; an increase over the prior year budgeted figure of \$773,000, or 100 percent. She explained that at the MFA board's request, this account is being budgeted for the first time. She said that the MFA has always used general fund cash to pay for single-family bond cost of issuance because it is considered a long-term investment and is offset by loan commitment fees generated through the bond issues and program residuals. The increase over prior year actual figures is due to closure of bond issues and negative arbitrage accounts that generated funds returned to the general fund from the single-family bond issues during FY 2013. She said that she does not anticipate a return of funds to this extent during FY 2014.

New Mexico Housing Trust Fund Update

Mr. Montoya explained that the New Mexico Housing Trust Fund was created in 2005, and since that time, New Mexico taxpayers have realized a tremendous return on their investment in the economy, education and health. He said that the fund has grown from \$18 million in appropriations to nearly \$23 million as a result of interest earned over the years. Through a competitive application process, he explained, the MFA has awarded more than \$25 million, including the state's \$18 million investment, interest income and loan repayments, to 36 housing projects for more than 1,700 housing units. He said that these impressive developments have leveraged approximately \$262 million in other funding sources, which is a 15-to-1 return on the state's initial investment. Several committee members expressed concern that the legislature has not continued its investment. Some committee members also expressed concern that the Department of Finance and Administration (DFA) has not yet released the \$200,000 direct appropriation to the MFA from the 2013 session.

MFA Legislative Agenda — Final Review of Bills

Mr. Montoya directed committee members to the information behind Tab 4 in their notebooks. He indicated that MFA staff members had worked with Ms. Armijo to make requested changes and additions to proposed bills as requested by members at previous meetings. Unless otherwise noted, endorsement of bills and potential sponsors were approved by committee consensus. Bills are listed by their Legislative Council Service 202 file number.

195067.1 House Sponsor: Representative Gonzales

Senate Sponsor: Senator Papen

Proposes to appropriate \$250,000 from the general fund to the DFA to fund MFA oversight of RHAs. The MFA requests that funding be recurring and that responsibility be transferred to the DFA if funding is not provided (see 195070.1).

195069.1 House Sponsor: Representative Chavez

Proposes to appropriate \$200,000 from the general fund to the DFA to fund the MFA's oversight of the Affordable Housing Act. The MFA requests that funding be recurring and that responsibility be transferred to the DFA if funding is not provided.

195070.1 House Sponsor: Representative Gonzales

Senate Sponsor: Senator Papen

Would transfer oversight of RHAs from the MFA to the DFA if the legislature does not provide funding for the MFA to continue its oversight function (see 195067.1).

195071.1 House Sponsor: Representative Cote

Senate Sponsor: Senator Rodriguez

Proposes to appropriate \$5 million from the general fund to the New Mexico Housing Trust Fund to allow the MFA to carry out the provisions of the New Mexico Housing Trust Fund Act, which allows every state dollar to leverage an additional \$11.00 through other sources, including loan repayments and interest income.

195072.1 House Sponsor: Representative Cote

Senate Sponsor: Senator Martinez

Proposes to appropriate \$1 million from the general fund to the DFA to allow the MFA to provide for a residential energy conservation program for low-income persons to increase the energy efficiency of, and reduce energy expenditures for, their homes.

195073.1 House Sponsor: Representative Gonzales

Senate Sponsor: Senator Cotter

Would amend the Affordable Housing Act to lift the long-term affordability restriction if a donated property is foreclosed upon so that the property can be resold, and it provides penalties for violations of the act. (Senator McSorley abstained.)

195074.1 House Sponsor: Representative Don L. Tripp

Senate Sponsor: Senator Ortiz y Pino

Proposes to amend the Municipal Housing Law to clarify provisions and definitions to allow housing authorities to act separately rather than as agents of the local government and to provide options for the appointment of the number of commissioners.

195075.1 House Sponsor: Representative Cote

Senate Sponsor: Senator McSorley

Proposes to amend the Affordable Housing Tax Credit Act to eliminate the conflict with the Affordable Housing Act by removing local and tribal governments from eligibility for the state affordable tax credit.

Adjourn

There being no further business before the committee, the meeting adjourned at 1:47 p.m.

- 6 -